

Internal Revenue Service

Department of the Treasury 5/0 5/28/96

Washington, DC 20224

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Release Copies to District

Date 5/29/96

Person to Contact:

Signature

Telephone Number:

Refer Reply to

Date:

APR 16 1996

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(9) of the Internal Revenue Code.

You were created by the to provide medical benefits to retired police officers. Your sources of income are an annual golf tournament, interest income, and donations. There are no dues or other payments made by your members.

Your golf tournament is by far your largest income source. In it represented approximately % of total receipts. In the golf tournament represented approximately % of total receipts. You have estimated that your members spend about hours yearly on the golf tournament. Expenditures have been for the costs associated with the golf tournament (approximately % of total expenditures), medical benefits (approximately %), and contributions to charitable organizations and needy individuals (approximately %). You have operated at a substantial profit for each year of your existence.

All retired police officers are eligible for benefits. The amount of the benefit varies with the needs of the individual officer, but the maximum benefit is \$ per month. Of the individuals currently receiving benefits, is completely retired and receives the maximum benefit to pay for his medical insurance. The other is working in another job that provides some level of medical coverage; his benefit is the additional amount necessary to provide him with equivalent coverage.

Section 501(c)(9) of the Code describes voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries,

[REDACTED]

if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.

Section 1.501(c)(9)-1 of the Income Tax Regulations provides that to be described in section 501(c)(9) an organization must be an employees' association, membership must be voluntary, the organization must provide for the payment of life, sick, accident, or other benefits to its members or their dependents or designated beneficiaries, and substantially all of its operations are in furtherance of providing such benefits, and no part of the net earnings of the organization may inure, other than by payment of permissible benefits, to the benefit of any private shareholder or individual.

Section 1.501(c)(9)-3(a) of the regulations provides, in relevant part, that a voluntary employees' beneficiary association is not operated for the purpose of providing life, sick, accident, or other benefits unless substantially all of its operations are in furtherance of the provision of such benefits.

In terms of receipts, expenditures, and time spent, your primary activity is operation of the Golf Tournament. Clearly, something far less than "substantially all" of your operations are in furtherance of providing permissible benefits. While arguably the purpose of the Tournament is to raise funds to provide benefits, the scale on which it is conducted is far greater than that needed to fund the benefits provided.

Furthermore, in financial terms, the charitable contributions you have made are approximately equal to the benefits paid. While no doubt admirable, such contributions are not in furtherance of providing permissible benefits.

Therefore, we rule that you are not exempt from federal income tax as an organization described in section 501(c)(9) of the Code.

You have the right to protest our ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any

Police Medical Fund of the West Norriton Police Association

questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

You will expedite our receipt of your reply by using the following add.

Internal Revenue Service

1111 Constitution Ave., NW  
Washington, DC 20224

Sincerely,

Signed [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 2